

**Eau Claire District Library  
Berrien County, Michigan**

**Financial Report**

**July 31, 2006**

RENDEL ELIE  
———&———  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Eau Claire District Library	County Berrien
Fiscal Year End 7/31/06	Opinion Date 11/7/06	Date Audit Report Submitted to State 12/15/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

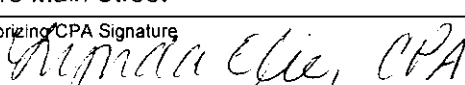
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rendel Elie & Associates PLC, CPA's		Telephone Number 269-983-1069	
Street Address 1010 Main Street		City St. Joseph	State MI
Zip 49085			
Authorizing CPA Signature 		Printed Name Lynda Elie, CPA	License Number 1101019600

RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Library Board  
Eau Claire District Library  
Eau Claire, Michigan

We have audited the accompanying basic financial statements of the Eau Claire District Library as of July 31, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Eau Claire District Library as of July 31, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Eau Claire District Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Eau Claire District Library. We did not examine this data and, accordingly, do not express an opinion thereon.

*Rendel Elie & Associates*  
RENDEL ELIE & ASSOCIATES, PLC

November 7, 2006

1010 Main Street  
St. Joseph, MI 49085  
(269) 983-1069  
(269) 983-3606 fax

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2006**

**Using this Annual Report**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2006**

**Condensed Financial Information**

The table below compares key financial information in a condensed format between the current year and the prior year:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 151,635	\$ 133,410
Capital assets	<u>505,828</u>	<u>521,637</u>
Total assets	<u>657,463</u>	<u>655,047</u>
Long-term debt	101,598	119,383
Other liabilities	<u>14,066</u>	<u>12,995</u>
Total liabilities	115,664	132,378
Net assets:		
Invested in capital assets, net of related debt	404,230	402,254
Unrestricted	<u>137,569</u>	<u>120,415</u>
Total net assets	<u>\$ 541,799</u>	<u>\$ 522,669</u>
Revenue:		
Property taxes	\$ 122,697	\$ 116,418
Other	<u>89,134</u>	<u>90,286</u>
Total revenue	211,831	206,704
Expenses – library services	<u>192,699</u>	<u>198,385</u>
Changes in net assets	<u>\$ 19,132</u>	<u>\$ 8,319</u>

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2006**

**The Library as a Whole**

- The Library's net assets increased by \$19,132 this year compared to an increase of \$8,318 the prior year.
- The Library's primary source of revenue is from property taxes, which represents 58% of total revenue as compared to 56% in the prior year.
- Salaries and fringe benefits continue to be a significant expense of the Library, representing 54% of the Library's total expenses this year and in the prior year.

**The Library's Fund**

Our analysis of the Library's major fund, the General Fund, is included on page 6 and 7 in the first column of the statement.

The fund balance of the General Fund increased during the current year by \$16,668 and by \$2,074 the prior year.

Debt service, consisting of principal and interest, was a large use of resources during the current fiscal year. Debt service has become a significant expenditure as a result of the 2002 building addition, which was financed by a \$200,000 bank note. During the current fiscal year, the principal was reduced by \$17,786 as compared to a reduction of \$21,377 the prior year.

**Capital Assets and Debt Administration**

At the end of the fiscal year, the Library had \$881,862 invested in land, building, furniture and equipment, and books and materials. The library added \$26,425 in capital assets consisting of \$6,229 of furniture and equipment, and \$20,196 in new collection items including new books and audio/visual materials.

No new debt was issued during the fiscal year. The Library's indebtedness for the building addition was \$101,598 and \$119,383 on July 31, 2006 and 2005, respectively.

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2006**

**Library Budgetary Highlights**

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in property tax income and library books and materials.

The increase in the budgeted amounts for property taxes was due to a change in amount received compared to amounts originally estimated.

The increase in the budgeted amounts for library books and materials was due in part to the increase in property taxes.

Budget variances included property tax revenue, contributions and donations, and capital outlay expense.

**Next Year's Grant Receipt**

The Bill and Melinda Gates Foundation has committed \$17 million in Staying Connected challenge grants to support hardware upgrades, broadband connectivity, technical support, and technology training programs to U.S. Libraries.

In January 2004, the foundation announced the first round of Staying Connected grants to 18 states, totaling more than \$5.8 million. The final round, announced in January 2005, was made to 37 states and the District of Columbia for \$10.9 million. Eau Claire District Library was one of 221 Michigan grant recipients.

On November 27, 2006 the Library ordered the 5 computers from the Southwest Michigan Library Cooperative they were granted. The value of the computers is \$4,832.55, not including the price of additional software that will be added.

**Contacting the Library's Management**

This financial report is intended to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Eau Claire District Library.

**Eau Claire District Library**  
**Governmental Fund Balance Sheet / Statement of Net Assets**  
**July 31, 2006**

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	Statement of <u>Net Assets</u>
<b>Assets</b>			
Cash	\$ 143,175	\$ -	\$ 143,175
Municipality receivable	5,619	-	5,619
Note receivable	400	-	400
Prepaid expenses	2,441	-	2,441
Fixed assets, net	-	505,828	505,828
Total assets	<u>\$ 151,635</u>	<u>\$ 505,828</u>	<u>\$ 657,463</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 4,456	\$ -	\$ 4,456
Salaries & benefits payable	5,830	-	5,830
Compensated absences:			
Expected to be paid within one year	-	1,289	1,289
Expected to be paid after one year	-	2,491	2,491
Long-term debt:			
Due within one year	-	13,012	13,012
Due after one year	-	88,586	88,586
Total liabilities	<u>10,286</u>	<u>105,378</u>	<u>115,664</u>
<b>Fund Balance/Net Assets</b>			
Fund balance - unrestricted	141,349	(141,349)	-
Total liabilities and fund balance	<u>\$ 151,635</u>		
Net assets:			
Invested in capital assets, net of related debt		404,230	404,230
Unrestricted		137,569	137,569
Total net assets		<u>\$ 541,799</u>	<u>\$ 541,799</u>

See auditors' report and notes to financial statements.



**Eau Claire District Library**  
**Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance /**  
**Statement of Activities**  
**Year Ended July 31, 2006**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
<b>Revenues:</b>			
Property taxes	\$ 122,697	\$ -	\$ 122,697
Penal fines	70,741	-	70,741
State aid	5,453	-	5,453
Fees and book fines	2,256	-	2,256
Interest and dividends	2,060	-	2,060
Contributions and donations	8,624	-	8,624
Total revenue	211,831	-	211,831
<b>Expenditures:</b>			
Salaries and fringe benefits	105,377	(488)	104,889
Capital outlay	6,229	(6,229)	-
Library books and materials	20,196	(20,196)	-
Repairs and maintenance	5,939	-	5,939
Utilities	11,883	-	11,883
Professional services and dues	5,102	-	5,102
Office and library supplies	9,030	-	9,030
Insurance and bonds	6,381	-	6,381
Newspaper and publications	1,915	-	1,915
Conventions and workshops	796	-	796
Depreciation	-	42,235	42,235
Debt service:			
Principal	17,786	(17,786)	-
Interest	4,529	-	4,529
Total expenditures	195,163	(2,464)	192,699
<b>Excess of Revenue over Expenditures / Change in Net Assets</b>	16,668	2,464	19,132
<b>Fund Balance/Net Assets - beginning of year</b>	124,681	397,986	522,667
<b>Fund Balance/Net Assets - end of year</b>	\$ 141,349	\$ 400,450	\$ 541,799

See auditors' report and notes to financial statements.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Summary of Significant Accounting Policies**

The accounting policies of the Eau Claire District Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements, including notes to the financial statements.

**Reporting Entity**

Eau Claire District Library is a Class III public library. The Library serves a population of 7,549 patrons from the Village of Eau Claire, and the Townships of Berrien and Pipestone.

The Library is defined as a governmental unit under criteria set forth by AICPA'S Audits of State and Local Governmental Units (ASLGU). These criteria include; a Board of Trustees consisting of representative members appointed or elected from the governmental units served and, the power to enact and enforce a tax levy.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in four parts – invested in capital assets; designated net assets; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)**

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, penal fines, and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the Library receives cash.

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

**Financial Statement Amounts**

**Bank Deposits and Investments** – The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – Property taxes are levied on December 1<sup>st</sup> based on the taxable valuation of the property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The Library receives an advance from the Berrien County Revolving Fund for delinquent property taxes. The County collects the delinquent property taxes on behalf of the Library.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Summary of Significant Accounting Policies (continued)**

**Capital Assets** – Capital assets are defined by the Library as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years

**Compensated Absences (Vacation and Sick Leave)** – It is the library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation and sick leave accrues to full-time, permanent employees to specified maximums.

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to changes.

**Risk Management** - The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for employee health, property, liability and workers' compensation.

**Property Taxes** – On August 6, 1996, the electors of the library district, the Eau Claire District Library serves, approved a millage on the taxable property in the district for a period of twenty years. Berrien and Pipestone Townships collect and pay the tax revenues to the Library as collected.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Summary of Significant Accounting Policies (continued)**

**Budget Information**

The annual budget is prepared by the Library Director and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures and changes in fund balances – budget and actual – general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the Library Board, is presented in these financial statements.

During the year, the Library incurred expenditures that were in excess of budget by more than \$5,000 in the following categories:

	<u>Budget</u>	<u>Actual</u>
Capital outlay	\$ 0	\$ 6,229

**Cash and Investments**

State statutes authorize the Library to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investments vehicles legal for direct investment by local units of government in Michigan. The Library is in accordance with statutory authority. The Library has designated a local bank for the deposit of its funds. Its cash and cash equivalents consist of various interest bearing savings accounts, checking accounts and certificates of deposit.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Fixed Assets**

A summary of changes in general fixed assets:

	Beginning of year <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	End of year <u>Balance</u>
Buildings	\$ 505,783	\$ --	\$ --	\$ 505,783
Improvements	51,747	--	--	51,747
Furniture & equipment	243,260	6,229	3,957	245,532
Book collection	<u>73,213</u>	<u>20,196</u>	<u>14,609</u>	<u>78,800</u>
Total	874,003	26,425	18,566	881,862
Accumulated depreciation	<u>(352,365)</u>	<u>(42,235)</u>	<u>(18,566)</u>	<u>(376,034)</u>
Net book value	<u>\$ 521,638</u>	<u>\$ (15,810)</u>	<u>\$ --</u>	<u>\$ 505,828</u>

**Book Collection**

The circulating library book collection and materials is capitalized. Accessions are accounted for in the year acquired. The Library follows a policy of periodically removing books that are in poor condition, not in demand, and/or no longer current. The estimated replacement value of the circulating collection at July 31, 2006, was \$375,500.

**Long-term Debt**

**Debt service requirements** - On August 6, 2002 the Library entered into an agreement to finance the construction of the building addition. The terms are payable in monthly installments over a 15 year period, at 4.69% for the initial five years. The interest rate will be recalculated at five-year intervals to equal the current five-year US Treasury bill rate, plus 40 basis points. The following is a summary of changes in long-term debt for the fiscal year ended July 31, 2006:

	<u>Balance Beginning of Year</u>	<u>Principal Payments</u>	<u>Balance End of Year</u>
Note	\$119,384	\$17,786	\$101,598

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Long-term Debt (continued)**

The annual principal and interest requirements through maturity are as follows:

Year Ending July 31

2007	\$ 17,140
2008	18,684
2009	18,684
2010	18,684
2011	18,684
2012 through 2013	<u>25,650</u>
Total minimum payments	117,526
Less amount representing interest	<u>(15,928)</u>
Net minimum payments	<u>\$ 101,598</u>

**Interest** – Interest expense of the Library for the year ended July 31, 2006 approximated \$4,529.

**Contingent Liabilities**

**Tax revenue** - The Library has received advances from the Berrien County Tax Revolving Fund for delinquent taxes assessed on real property. If those taxes prove to be uncollectible, the Library will be responsible for repayment. Taxes advanced by the county, during the fiscal year ending July 31, 2006 were \$8,360.

**Unemployment taxes** - The Library has elected to reimburse the Michigan Employment Security Agency for any unemployment benefits paid to former employees.

**Subsequent Events**

In January 2005, the Bill and Melinda Gates Foundation announced the final round of Staying Connected challenge grants to support hardware upgrades, broadband connectivity, technical support, and technology training programs to U.S. Libraries. Grants were made to 37 states and the District of Columbia for \$10.9 million. Eau Claire District Library was one of the Michigan grant recipients.

On November 27, 2006 the Library ordered the 5 computers from the Southwest Michigan Library Cooperative they were granted. The value of the computers is \$4,832.55, not including the price of additional software that will be added.



**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Reconciliation of Fund Financial Statements to Government-wide Financial Statements**

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance – Modified Accrual Basis</b>	<b>\$ 141,349</b>
Differences in the statement of net assets:	
Capital assets are not financial resources, and are not reported in the funds	505,828
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(101,598)
Compensated absences are included as a liability	<u>(3,780)</u>
<b>Net Assets of General Fund – Full Accrual Basis</b>	<b><u>\$ 541,799</u></b>

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2006**

**Reconciliation of Fund Financial Statements to Government-wide Financial  
Statements (Continued)**

<b>Net Change in Fund Balances – Modified Accrual Basis</b>	<b>\$ 16,668</b>
---	------------------

Differences in the statement of net assets:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials	20,196
Capital outlay	6,229
Depreciation	(42,235)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	488
--	-----

Repayments of principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>17,786</u>
---	---------------

<b>Change in Net Assets of General Fund – Full Accrual Basis</b>	<b><u>\$ 19,132</u></b>
--	-------------------------

**Eau Claire District Library**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended July 31, 2006**

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Over (Under)
<b>Revenues:</b>				
Property taxes	\$ 107,000	\$ 110,000	\$ 122,697	\$ 12,697
Penal fines	70,000	70,000	70,741	741
State grants	2,500	2,500	5,453	2,953
Fees and book fines	2,000	2,000	2,256	256
Interest and dividends	200	200	2,060	1,860
Contributions and donations	<u>2,000</u>	<u>2,000</u>	<u>8,624</u>	<u>6,624</u>
Total revenue	183,700	186,700	211,831	25,131
<b>Expenditures:</b>				
Salaries and fringe benefits	104,430	104,430	105,377	947
Capital outlay	-	-	6,229	6,229
Library books and materials	13,470	16,470	20,196	3,726
Repairs and maintenance	10,500	10,500	5,939	(4,561)
Utilities	11,500	11,500	11,883	383
Professional services and dues	7,500	7,500	5,102	(2,398)
Office and library supplies	8,300	8,300	9,030	730
Insurance and bonds	6,500	6,500	6,381	(119)
Newspaper and publications	2,000	2,000	1,915	(85)
Conventions & workshops	800	800	796	(4)
Debt service:				
Principal	18,700	18,700	17,786	(914)
Interest	<u>-</u>	<u>-</u>	<u>4,529</u>	<u>4,529</u>
Total expenditures	<u>183,700</u>	<u>186,700</u>	<u>195,163</u>	<u>8,463</u>
<b>Excess of Revenue over Expenditures / Change in Net Assets</b>	<u>-</u>	<u>-</u>	<u>16,668</u>	<u>16,668</u>
<b>Fund Balance/Net Assets - beginning of year</b>	<u>124,681</u>	<u>124,681</u>	<u>124,681</u>	<u>-</u>
<b>Fund Balance/Net Assets - end of year</b>	<u>\$ 124,681</u>	<u>\$ 124,681</u>	<u>\$ 141,349</u>	<u>\$ 16,668</u>

RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire District Library  
P.O. Box 328  
Eau Claire, MI 49111

In connection with the audit of the financial statements of the Eau Claire District Library (the Library) for the fiscal year ended July 31, 2006, we are providing the following comments and recommendations for your consideration.

**Board approval of paid invoices** – The State of Michigan requires that the board prior to disbursement must approve all disbursements unless addressed otherwise in the charter. The board currently has a procedure to delegate authorization of payments prior to board approval to avoid finance or late charges and to pay appropriated amounts and payroll. The board may want to formally adopt a written policy to authorize this delegation. The list of payments made prior to board approval and approved by the board after payment should be documented in the minutes.

**Budget amendments** – The budget process includes a great deal of estimating and it is not unusual for significant variances to develop throughout the year. We recommend that the board continue to monitor actual financial results to the original budgets and amend the budget as needed. The budget was not amended this year to reflect capital outlay for equipment.

**Capitalization Policy** – With the implementation of GASB 34, the Library adopted a policy for capitalizing assets with an estimate useful life in excess of two years and items over \$200, including equipment and books. We suggest the policy be put in writing to document its adoption and reduce misunderstandings.

As a reminder, items over the \$200 threshold should be charged to capital outlay. All other items (under \$200) should be charged to accounts such as general operating expense, maintenance expense, etc.

**Accounts Payable** – The accounts payable feature of your QuickBooks could be utilized for vendor invoices. All bills and invoices received and entered as unpaid invoices are then included in the financial statements. By utilizing this feature, the balance sheet report correctly reports all liabilities of the Library, not just what is owed on credit cards. This feature also generates an accounts payable report that could be used for bill approval at board meetings, prior to bill payment. This report could be included in your minutes for detailed documentation on bill approval.

1010 Main Street  
St. Joseph, MI 49085  
(269) 983-1069  
(269) 983-3606 fax

RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

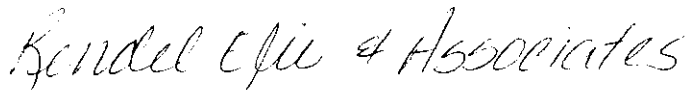
Expenditures – As a reminder, “unauthorized” expenditures has been defined in the Bulletin for Audits of Local Units of Government in Michigan. Unauthorized expenditures include the following: contributions to churches, veterans, nonprofit organizations; donations to community organizations, presents to officials and employees or retirement recognition events; and flowers to the sick or departed.

Management Representation Letter – We thank you for typing the letter of management representations. Next year, please e-mail us the letter prior to obtaining signatures so we can update the letter for new reporting requirements.

Audit accounting - In an effort to assist you in minimizing your audit cost, we would be happy to discuss with you and train your staff on audit accounting workpapers your staff could prepare.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

Sincerely,



RENDEL ELIE & ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2006

1010 Main Street  
St. Joseph, MI 49085  
(269) 983-1069  
(269) 983-3606 fax